



**Presentation of 2019 Annual Work Plan  
Review of Prior Year Results**

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May 14, 2018

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## **Overview**

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- Proposed 2019 Work Plan
- Prior Work Plan Results
- Office Update

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## **PROPOSED 2019 WORK PLAN**

### **Proposed 2019 Work Plan**

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- Annual work plan = work performed primarily during fiscal year 2019
- CAFR, Statewide Single Audit, mandatory and special projects are major focus
- Use risk factors to determine the audit work to be performed with remaining resources

### Work Plan Comparison (hours)

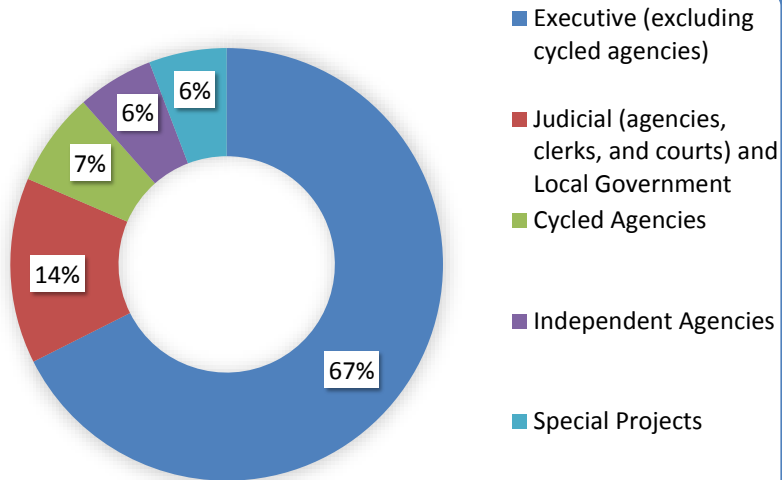
Proposed FY 2019 Work Plan	142,675
Prior Year Work Plan	<u>138,730</u>
Increase	3,945

Change primarily related to increases for Higher Education audits and Special Projects offset by decrease in Independent Agencies

### Total Hours by Function

Function	Hours
Statewide and Agency Projects:	
Special Projects	8,295
Executive Departments	96,415
Cycled Agencies	10,000
Independent Agencies	8,145
Judicial (Agencies, Clerks, and Courts) and Local Governments	19,820
<b>TOTAL 2019 WORK PLAN</b>	<b>142,675</b>

## Total Hours by Function



## Hours by Executive Departments (Total 96,415)

Department	Hours
Executive Offices and Administration	2,060
Commerce and Trade	3,750
Education	2,140
Education – Higher Education Institutions	50,765
Finance	19,555
Health and Human Resources	9,840
Natural Resources	80
Public Safety and Homeland Security	2,545
Transportation	5,680

## Cycled Agencies

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- Approximately 70 agencies
  - No mandatory annual audit requirement
  - Generally, do not support the CAFR or Statewide Single Audit of federal funds
- Beginning with last work plan year, began new approach for cycled agencies by dividing into two pools based on risk

## Impact of Legislation on Cycled Agencies

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- Acts of Assembly Chapters 57 and 307
  - Changed the audit requirement for 16 entities from *annual* to *when determined necessary by the Auditor of Public Accounts*
  - This allows us to use our risk analysis process to determine how often to audit these agencies
  - Time saved will be shifted to more risky agencies

## Cycled Agencies Pools

### Risk Analysis – All Cycled Agencies

#### Pool I – Low Risk

- Special Project on Specific Cycle
- Annual Project
- Single Report
- ICQ

#### Pool II – High Risk

- Agency Audit of Specific Cycle(s)
- 3 Year Rotation
- Multiple Reports
- ICQ

## Cycled Agencies – Internal Control Questionnaire

- Agency completes questionnaire and provides supporting documentation
  - Covers key internal controls over significant organization areas
- APA reviews responses and supporting documentation to determine nature, timing and extent of additional procedures
- Includes on-site visit

## **Cycled Agencies – Internal Control Questionnaire**

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- Agencies receive a letter summarizing results
- Results used in future risk analysis for determining pools
- Annually issue a report summarizing results of all ICQs

## **Types of Special Projects**

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- Projects Required by Legislation, Statute, or Appropriation Act
- Projects Determined by an Analysis of Risk

## Special Projects: Required by Legislation, Statute, or Appropriation Act - Recurring

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- Local Government Fiscal Distress Analysis
- Review of Chapter 759/769 Bond Issuance Limit
- *Commonwealth Data Point* Internet Database

## Impact of Legislation on Commonwealth DataPoint

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- Acts of Assembly Chapter 601
  - Adds bonuses and total compensation to the salary information already in Commonwealth DataPoint, as well as a unique identifier for each position
  - Delayed enactment clause to allow time for implementation of the new state payroll system
  - Will require coordination to obtain the information from the agencies that do not use the statewide payroll system



### **Special Projects: Required by Legislation, Statute, or Appropriation Act – Recurring (cont.)**

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- APA Annual Report
- MEI Project Approval Commission
- PPEA Comprehensive Agreement Review
- Review of Performance Measures

### **Special Projects: Risk Based Analysis**

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- Capital Project Monitoring
- Progress Report on Selected Systems Development Projects in the Commonwealth
- State of Information Security in the Commonwealth

## **Special Projects: Risk Based Analysis**

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- Comparative Report for Higher Education
- Fraud Monitoring
- Statewide Analysis of Cardinal
- Statewide Review of Vehicle Usage

## **Requested Action**

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- Approval of the proposed 2019 work plan

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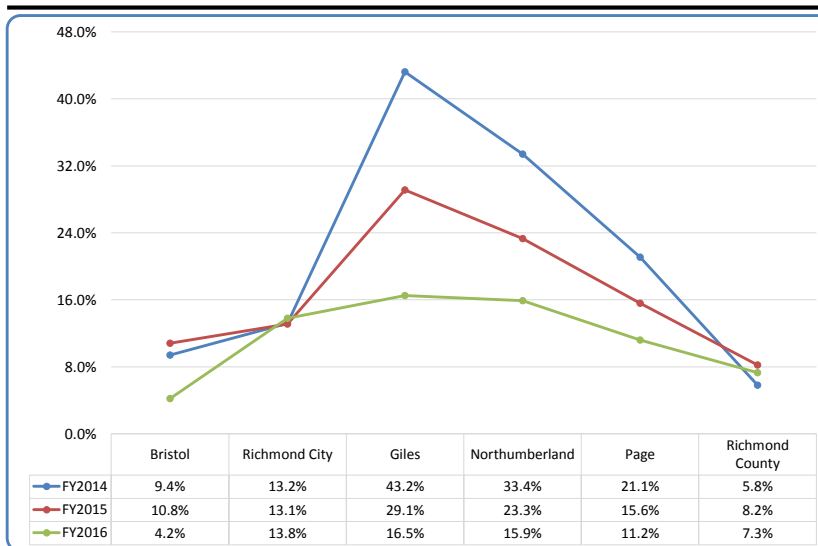
## PRIOR WORK PLAN RESULTS

### Local Fiscal Distress Model

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- Chapter 836 of the 2017 Virginia Acts of Assembly, Item 4-8.03
- Applied our model to FY 2016 locality CAFRs
  - Identified 6 localities based on ratios and trends
    - Cities of Bristol and Richmond
    - Counties of Giles, Northumberland, Page and Richmond
  - 2 localities still not submitted 2016 CAFRs
    - Cities of Hopewell and Manassas Park

## FAM Score Trends—Localities Identified for Follow Up



## Local Fiscal Distress Model, continued

- After further review, determined four localities did not currently need Commonwealth assistance
  - City of Richmond
  - Counties of Giles, Northumberland & Richmond
- One locality declined to participate
  - County of Page
- Referred City of Bristol to the Governor, Secretary of Finance, and Chairs of HAC and SFC

## Local Fiscal Distress Model, continued

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- Considering revisions to the Model
  - Follow-up needed/not needed instead of a numerical score
  - Incorporate additional factors:
    - Outside economic factors
    - Commission on Local Government's fiscal stress rankings on locality revenue capacity/effort
    - Consider additional ratios

## ICQ Process

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- Historically, the APA audited agencies not significant to the CAFR at least once every three years
- Last year began a new process to send these agencies an internal control questionnaire at least once every three years – included 19 agencies this year
- We reviewed the responses, designed and performed procedures tailored to each agency, and reported results in letters

## Summary of Results – ICQ Process



## Statewide Project - Payroll

- Selected 9 of the smaller agencies to do detailed testing of payroll
- Findings included:
  - Improve Controls over Sensitive Information (4)
  - Improve Controls over Terminated Employees (4)
  - Update Policies and Procedures (2)
  - Follow 1500 Hour Rule for Wage Employees (1)
  - Perform Post-Certification Activities (1)
  - Review and Update Fiscal Services MOU (1)

## Department of Human Resource Management

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- Responsible for the Pre-Medicare Retiree Healthcare Program
  - New accounting standard in 2018 for employers will require dissemination of data from DHRM to agencies that prepare separate financial statements
- Have not implemented minimum security controls for a web application used to track employee time (4 times repeated finding)

## Department of Human Resource Management, cont.

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- Inadequate risk management and disaster recovery planning (3 times repeated finding)
  - Evaluation of mission essential and sensitive systems for regulatory requirements
  - Lack of IT system baseline configurations for mission essential and sensitive systems (enterprise architecture)
  - No risk assessment on one sensitive system
  - No self-assessment process

## **Department of Human Resource Management, cont.**

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- Inadequate security awareness and training program (3 times repeat finding)
  - 44% of new hires did not have required initial training
  - No user acknowledgement of specific responsibilities or role based training
- Improve Vulnerability Identification and Mitigation Process (new finding)
- Improve Database and Application Security (new finding)

## **System Development Status: Department of Accounts**

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- Payroll Project
  - Launched in August 2016 to replace current system which is over 30 years old and used by 200 agencies
  - Implementation originally scheduled for 2018, now to be completed in FY2019, with first release in September 2018 and second in March 2019
  - Vendor of existing system extended its software support through the new timeline (originally set to end in 2018)



## **Systems Development Status:**

### **Department of Alcoholic Beverage Control**

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- **Financial System Replacement**
  - Issued original RFP in March 2016 but cancelled because language was too restrictive
  - Issued RFP for a Software as a Service solution which closed in May 2017
  - Narrowed search to a vendor and currently under contract negotiations
  - Ensuring the vendor will be capable of complying with the Commonwealth's security standards

## **Systems Development Status:**

### **Department of Alcoholic Beverage Control**

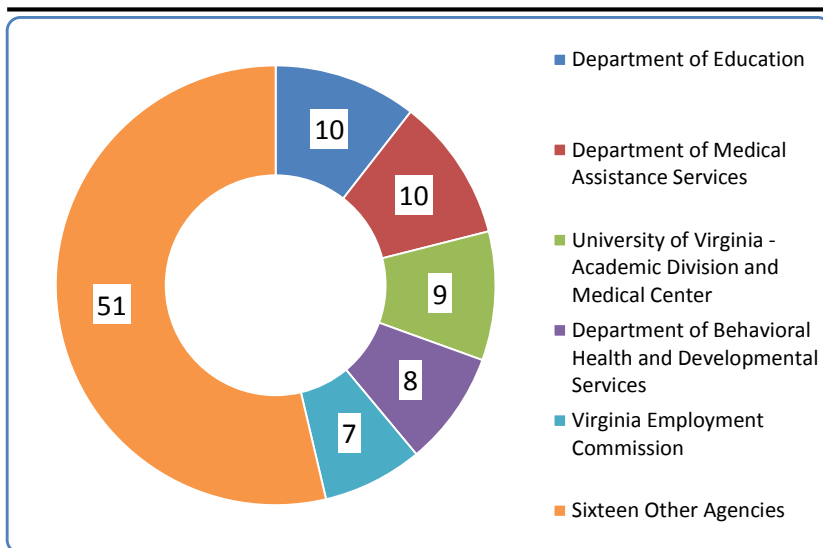
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- **Licensing System Replacement**
  - Awarded contract to vendor in December 2017 and project begun in January 2018
  - Expected to go live in February 2020
  - Project to provide online license processing, payment collection, and regulatory enforcement
  - In February project was deemed at risk

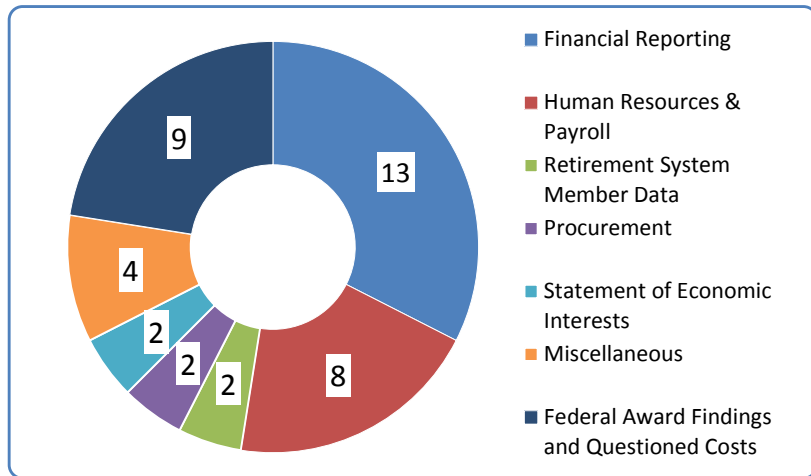
## System Development Status: Virginia Employment Commission

- Unemployment Insurance Modernization
  - Replacing multiple mainframe-based systems with a web-based platform
  - Currently working on final module (Benefits) with estimated current go live date of April 2019 - extended from January 2018 to January 2019 and now to April 2019

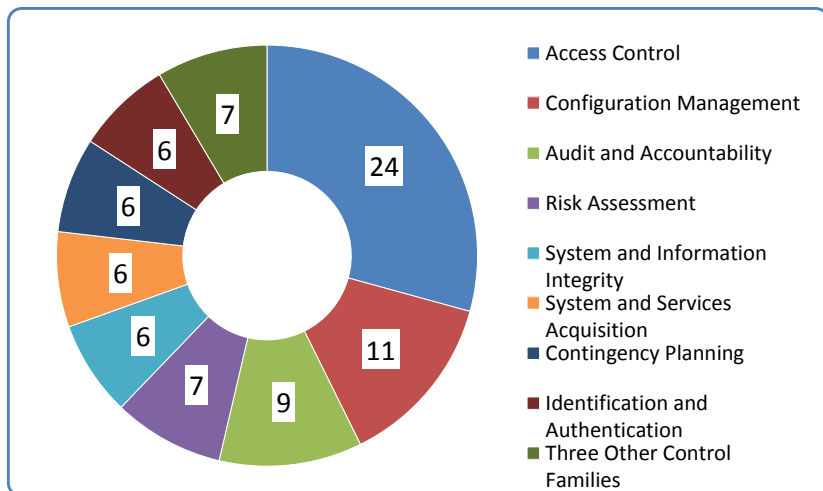
## CAFR and SSA Results



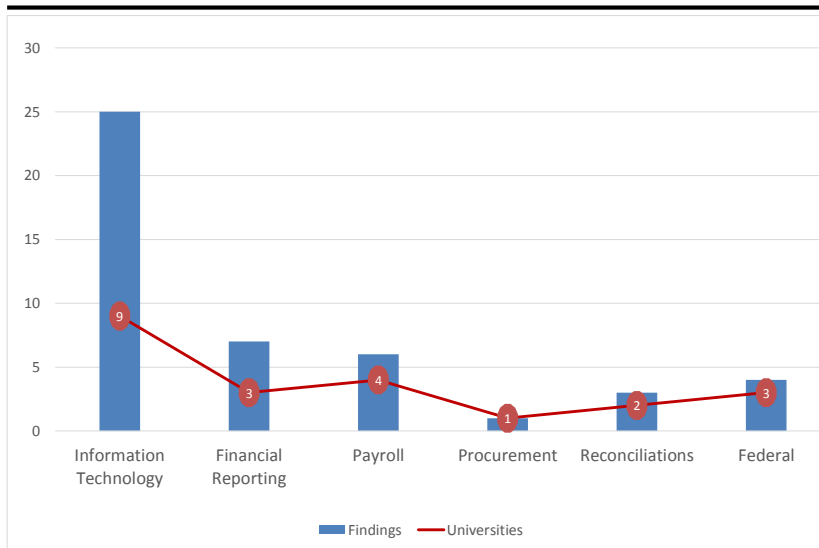
## CAFR and SSA Results – Non IT Issues



## CAFR and SSA Results – IT Issues



## University Results



## OFFICE UPDATE

## Peer Review Results

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- Conducted by the National State Auditors Association
- For the period March 1, 2017, through February 29, 2018
- Received highest rating of “*Pass*” on work performed
- No deficiencies included in the report

## Top Workplace in Metro Area – 5 years running

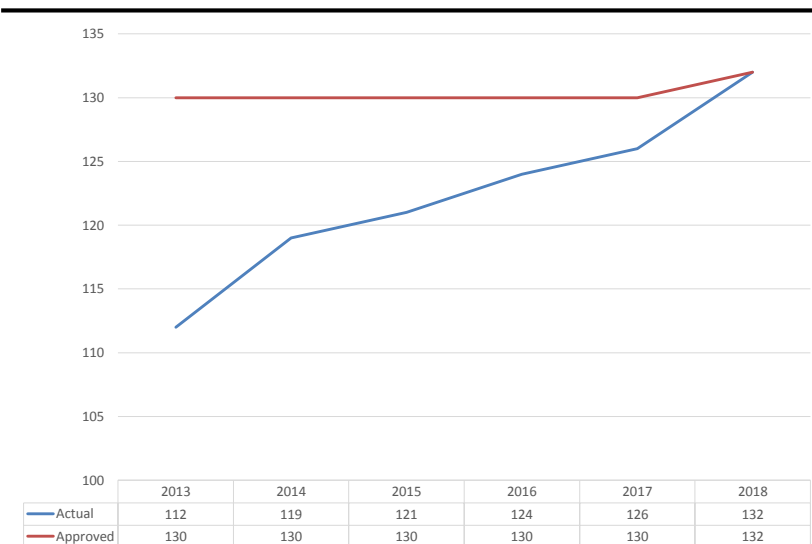
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## Values

- PROFESSIONAL
- ENGAGED
- KNOWLEDGEABLE
- COLLABORATIVE

## Staffing Levels



## Future Impact of Legislation

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- Acts of Assembly Chapter 827
  - Creates a Revenue Reserve Fund in addition to the constitutional Revenue Stabilization Fund
  - Requires APA to report annually on the total general fund revenues, the amount that could be paid into the Fund, and the amount by which the Fund is less than the maximum amount permitted

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**QUESTIONS?**